REGENT DECORATORS (M) SDN. BHD. & ANOR.

v.

MICHAEL CHEE KENG THENG & ORS.

HIGH COURT MALAYA, KUALA LUMPUR
VC GEORGE J
[CIVIL SUIT NO. C 1364 OF 1983]
27 FEBRUARY 1984

CIVIL PROCEDURE: *Mareva injunction - Whether should be lifted - Jurisdiction - Principles applicable - Interim orders restraining use of word and of confidential information - Whether should be set aside.*

The plaintiffs brought a suit against the defendants by which they sought an injunction restraining the defendants from, *inter alia,* using the word "Regent" as part of their trading style, and from making use of confidential information which the first, second and third defendants had obtained from the plaintiffs. By an *ex parte* application they obtained interim orders on, *inter alia,* the above matters. They also obtained Anton Piller orders and a Mareva injunction. The defendants sought to have the orders set aside.

Held:

[1] As the Anton Piller orders had been duly executed, no purpose would be served at that stage in questioning them.

[2] The Court had jurisdiction to grant a Mareva injunction. Paragraph 6 of the Schedule to the Courts of Judicature Act 1964, is the equivalent provision to s. 45 of the English Supreme Court of Judicature (Consolidation) Act 1925, (since 1981 the jurisdiction has been per s. 37(2) of the Supreme Court Act 1981). (*Zainal Abidin bin Haji Abdul Rahman v. Century Hotel Sdn. Bhd.* [1982] 1 MLJ 260).

[3] However, as there had been no evidence shown to the Court's satisfication that there was a danger that the available assets of the defendants would be dissipated to prejudice the plaintiffs' claim, the Mareva injunction must be lifted. (*Zainal Abidin* (*supra*))

[4] The interim order that related to the complaint of passing off should be allowed to remain.

(a) By the use of the word "Regent" in the name of the fourth defendant, there was likely to be confusion in the minds of the public. (*Annabel's (Berkeley Square) Ltd. v. G. Schock* [1972] RPC 838).

(b) In the circumstances of the case, greater harm would be caused to the plaintiffs than to the defendants if the interim order was set aside. Such damages as suffered by the defendants could be easily assessed.

[5] The interim order relating to the complaint of use of confidential information too should be allowed to remain. A person who has obtained information in confidence is not allowed to use it as a spring-board for activities detrimental to the person who made the confidential communication, even where all the features have been published or can be ascertained by actual inspection by members of the public. The obligation to respect confidence is not limited to cases where the parties are in contractual relationship. (*Saltman Engineering Coy. Ld. & Ors. v. Campbell Engineering Coy. Ld.* [1948] 65 RPC 203 at 211; *Terrapin Ltd. v. Builders Supply Co. (Hayes) Ltd. & Ors.* [1960] RPC 128; *Carnleigh Precision Engineering Ltd. v. Bryant* [1965] 1 WLR 1317 at 1318).

Cases referred to:
Zainal Abidin bin Haji Abdul Rahman v. Century Hotel Sdn. Bhd. [1982] 1 MLJ 260
Annabel's (Berkeley Square) Ltd. v. G. Schock [1972] RPC 838
Saltman Engineering Coy. Ltd. & Ors v. Campbell Engineering Coy. Ld. [1948] 63 RPC 203
Terrapin Ltd. Builders Supply Co. (Hayes) Ltd. & Others [1960] RPC 128
Cranleigh Precision Engineering Ltd. v. Bryant [1965] 1 WLR 1317

Legislation referred to:
Courts of Judicature Act 1964, Schedule para.6.
Supreme Court of Jurisdiction (Consolidation) Act 1952 [UK], s. 45
Supreme Court Act 1981 [UK], s. 37(2)

For the defendants/applicants - Vijandran; M/s. D. P. Vijandran Associates
For the plaintiffs/respondents - S. F. Wong; M/s. *Shearn Delamore & Co. and Drew & Napier*

JUDGMENT

VC George J:

The 1st plaintiff, Regent Decorators (M) Sdn. Bhd. was incorporated on 23 September 1981 and have since then carried on the business of dealers of all kinds of furnishing and interior decorating materials with particular emphasis on antique and period furniture from Europe.

The 2nd plaintiff, Harrods Design (M) Sdn. Bhd. was incorporated on 5 August 1982 and is an associated company of the 1st plaintiff having the same shareholders and directors. Its business is also the related business of interior designers and dealers in fittings and household requisites of all kinds.

The 1st defendant was an employee of the 1st plaintiff from 1 July 1982 to 14 March 1983. The 2nd defendant was employed by the 1st plaintiff from 1 July 1982 to 31 December 1982 and thereafter up to the first week in May 1983 by the 2nd plaintiff. The 3rd defendant had also worked from first July 1982 to 31 December 1982 for the 1st plaintiff and then for a short period up to 25 April 1983 for the second plaintiff.

The 4th defendant, Regent Design (M) Sdn. Bhd. is a company incorporated on 4th March 1983 by the 1st, 2nd and 3rd defendants who are its shareholders and directors and who on that date were employees of one or the other of the plaintiffs. It carries on substantially the same kind of business as the plaintiff companies.

The plaintiffs have a number of complaints against the defendants most of which dovetail to the 1st, 2nd and 3rd defendants using the word "Regent" as part of their trading style. The complaint is that the defendants are passing off or attempting to pass off their business as that of the 1st plaintiff. A subsidiary complaint is that the defendants have, in breach of an understanding of confidentiality, been using the names and addresses of the current and prospective customers of the plaintiffs.

The plaintiffs caused a writ to issue against the defendants by which they sought an injunction restraining the defendants and each of them from *inter alia* using the word "Regent" as part of their trading style and from making use of confidential information which the 1st, 2nd and 3rd defendants had obtained from the plaintiffs. They also seek an order to have the word "Regent" removed from the 4th defendant's name. The plaintiffs also claim damages and costs. A statement of claim was filed on the day that the writ was issued as was an *ex parte* application for interim orders *inter alia* restraining the defendants from using the word "Regent" as part of their trading style and from using confidential information. They also sought what have come to be known as Anton Piller orders. They obtained the interim orders.

By a separate *ex parte* application the plaintiffs sought and obtained a Mareva injunction against the defendants as a result of which the 4th defendant was restrained from dealing with its assets generally including and in particular any money standing to the credit of the 4th defendant in its account No. 9073 with its bankers Bank Bumiputra. The defendants now seek to have those orders set aside.

Now, I take it that the Anton Piller orders made have been duly executed. No purpose will be served at this stage in questioning those orders.

On the Mareva injunction, contrary to what was submitted on behalf of the defendants, I am of the view that the Federal Court's judgment in *Zainal Abidin bin Haji Abdul Rahman v. Century Hotel Sdn. Bhd.* [1982] 1 MLJ 260 is authority for the existence of the jurisdiction in Malaysia for the application of the Mareva doctrine as applied in England. Raja Azlan Shah CJ, as he then was, in delivering the judgment of the Federal Court touched on the basis and scope of the jurisdiction as exercised by the English Courts and pointed out that the English Courts' jurisdiction used to be exercised pursuant to the discretionary powers given to the Courts by s. 45 of the Supreme Court of Jurisdiction (Consolidation) Act 1925 (since 1981 the jurisdiction has been per s. 37(2) of the Supreme Court Act 1981). The Chief Justice went on to suggest that para. 6 of the Schedule to our Courts of Judicature Act 1964 is the equipollent provision to the said s. 45 of the English Act of 1925 which suggestion was followed by an analysis of the para. 6 which analysis provided the ratio for the conclusion that our said para. 6 is indeed the equipollent provision to the English s. 45. The conclusion that followed was "We hold therefore that the provisions of para. 6 of Schedule to the Act are pertinent and do indeed apply and we are of the view that the same considerations are applicable as in the case of the English statutory provision of 1925. We have accordingly come to the conclusion that contrary to the learned Judge's view the High Court has jurisdiction to grant a Mareva injunction in appropriate circumstances."

In *Zainal Abidin* the Federal Court in laying down the principles on which the Mareva doctrine is to be applied in Malaysia summarised the scope of its application as follows:

> ... It is an injunction granted *ex parte* against a defendant in a pending action to restrain him from removing assets from and now even dissipating them within the jurisdiction and so stultifying any judgment in favour of the plaintiff. It has been steadily widened so that it is now available in a personal injury claim (see *Allen v. Jambo Holdings Ltd. & Ors.*) and where the defendant is not a foreigner or foreign based (see *Barclay-Johnson v. Yuill*). Although the extensions were perhaps inevitable the Judges have indicated that the jurisdiction must not be stretched too far lest it be endangered. It must not be debased into something invoked to obtain security for a judgment in advance, or pressuring a defendant into a settlement. "The courts must be vigilant to ensure that a Mareva defendant is not treated like a judgment debtor" (see *A. J. Bekhor & Co. Ltd. v. Bilton* (*supra* - [1981] 2 All ER 577)). It is consequently not accurate to refer to a Mareva injunction as a pre-trial attachment (see *Cretanor Maritime Co. Ltd. v. Irish Maritime Management Ltd.*).

On the facts of the instant case while the Court has the jurisdiction to grant a Mareva injunction the question that arises is whether the Court should. Resort can again be made to *Zainal Abidin* where the Federal Court having concluded that "the Court can protect him (the plaintiff) by way of the interlocutory injunction in advance of judgment" went on to state:

> The appellant still has to establish the second requirement, that is in order to gain the particular form of protection sought by the injunction he must show that there is a danger that the company's available assets will be dissipated to prejudice the appellant's claim. That is a matter of evidence. Our appreciation of the factual material before us leads us to the

> conclusion that the appellant really shows very little reason for thinking that the company cannot satisfy the judgment if it were unsuccessful. On the other hand, that is a matter which lies within the knowledge of the company and it has not made full disclosure of its affairs. The defendant in a suit or matter is not called upon to prove its solvency the moment it becomes a defendant and proceedings of this kind are not a means by the use of which it can be called upon to do so.

In the instant case there has been no evidence shown to the Court's satisfaction that there was a danger that the available assets of the defendants would be dissipated to prejudice the plaintiffs' claim. I would accordingly lift the Mareva injunction.

What is left for consideration are the paragraphs numbered 1, 2, 3 and 4 of the Order of 6 June 1983 (encl. 7 in the Court's file). These are the orders that relate to the complaint of passing off or attempted passing off by the defendants of their business as being that of the plaintiffs, the substantial part of the complaint being the use of the name "Regent". Part of para. 4 of the said order relates to the use of confidential information alleged to have been obtained by the 1st, 2nd and 3rd defendants while in the employ of one or the other of the plaintiffs.

Now, it would appear that the present managing director of the 1st plaintiff, one Lee Kean See had started a firm registered with the Registrar of Businesses in April 1978 as Regent Decorators and that name was promoted as a trading style in the business of interior decorators and dealers in furniture and allied household goods. It would appear that it was the firm, Regent Decorators, as a successful going concern, that metamorphosed into the company, Regent Decorators (M) Sdn. Bhd., on 23 September 1981. By his affidavit filed in support Lee Kean See stated that Regent Decorators had spent by way of advertisements for the year 1978, 1979, 1980 and 1981 RM8,825, RM6,124.90, RM10,158.79 and RM30,682.53 respectively. Apparently there were also promotional exhibitions held by Regent Decorators costing in 1978 some RM8,000 and over RM20,000 in each of the years 1980 and 1981. After its incorporation the 1st plaintiff appears to have intensified its promotional activities.

The 1st, 2nd and 3rd defendants while employed by the 1st plaintiff helped to promote the business of the 1st plaintiff. According to the 1st defendant in spite of all the hard work he and his colleagues had put in for the 1st plaintiff various benefits and increments that had been promised to them were in fact not given to them.

They "were aggrieved and felt cheated". While still in the employ of either the 1st or 2nd plaintiffs they incorporated the 4th defendant company. The object of the 4th defendant was to do business which was similar to that done by the plaintiffs.

To my mind the obvious question that arises is why had the 1st, 2nd and 3rd defendants to adopt the fancy name "Regent" into the name of their company. Their stand is why not in that it is a commonly used name. They contend that the plaintiffs have not acquired any rights to that word.

But the issue is not whether the plaintiffs had acquired any rights to the word "Regent" but simply a question of whether by the use of the word "Regent" in the name of the 4th defendant there is likely to be confusion in the minds of the public.

In *Ames Crosta Ltd. v. Pionex International Ltd. & Ors.* [1977] Fleet Street, Patent Law Reports 46, there had been a company called Pionex Limited which had been founded by one Jones and one Humphrey, Jones being the originator of the name Pionex. The whole business of Pionex Limited was sold to the plaintiff who converted it into its "Pionex Division" and in which were employed Jones and Humphrey who had come along with the business.

The Pionex Division business was *inter alia* related to pollution control. Jones and Humphrey before leaving the plaintiff's employ founded Pionex International Ltd. to import and sell protective clothing which could be said to be an allied field of activity to that of the plaintiff's. The plaintiff sought an interlocutory injunction against the defendants to restrain them from the use of the word "Pionex" in the name of their company.

The Judge was Walton J who found guidance in what he referred to as the classic judgment of Russell LJ in *Annabel's (Berkeley Square) Ltd. v. G. Schock* [1972] RPC 838, who had this to say in respect of questions of confusion (in a passing off problem):

> as a matter of common sense, one of the important considerations is whether there is any kind of association, or could be in the minds of the public any kind of association, between the field of activities of the plaintiff and the field of activities of the defendant - as it is sometimes put: Is there an overlap in the fields of activity? But, of course, when one gets down to brass tacks this is simply a question which is involved in the ultimate decision whether there is likely to be confusion.

Russell LJ goes on at p. 844:

> Here I have no doubt at all as at present advised that there is a sufficient association between what the public would consider the field of activity in which Annabel's Club is conducted and the field of activity in which Mr. Schock indulges in the course of his escort business. Both are concerned with what might be described as 'night life' or 'night entertainment'.

In respect of those lines from Russell LJ, Walton J states in *Ames Crosta Ltd.* at p. 48:

> If that be the correct way to approach the matter, as, in my judgment it undoubtedly is, it appears to me quite clear that there would in the minds of the public here be a sufficient association between the fields of activities of the two companies. One of them goes in for the environmental control and protection and the other goes in for the direct protection of the person against hostile environment by means of providing protective clothing. It seems to me that those two fields of activities are fields of activities which most members of the public would regard as very closely allied indeed ...

With respect I too am of the view that the approach recommended by Russell LJ is the correct approach and applying that to the facts of the instant case where the defendants had entered into not an allied field of business but of the very same type as that of the plaintiffs one cannot but help conclude that there could very well be confusion in the minds of the public. There could be cases of members of the public entering into transactions with the 4th defendant thinking that in fact they are dealing with the 1st plaintiff.

However, there has not been a trial of the issues the most important of which is whether there has been a passing off. In the face of that and in all the circumstances should the interim orders be allowed to remain? The answer to that question in the face of the conclusions I had arrived at on the issue of confusion turns on the balance of convenience which seems to me largely one way. The people behind the plaintiffs have been since about 1970 and the 1st plaintiff since September 1981, trading as interior decorators and furnishers as against the 4th defendant which had functioned for about 3 months when the interim orders were made. I cannot see that great harm would be caused to the 4th defendant if it changes its name even if the trial Court finds that in fact there is no merit in the plaintiffs' complaints. Such damages suffered by the defendants could be easily assessed. As against that if in fact the trial Court comes to the same conclusions that I have arrived at on the question of confusion, that Court would in all probability conclude that the plaintiffs have suffered harm and what could prove to be incalculable damage.

On the complaint of the 1st, 2nd and 3rd defendants making use of confidential information, there is no question but that if the information was confidential the use of it by the defendants or any of them was the infringement of a right. Greene M.R. in *Saltman Engineering Coy. Ltd. & Ors v. Campbell Engineering Coy. Ld.* [1948] 63 RPC 203 at p. 211 of the report reiterated the position thus:

> The main part of the claim is based on breach of confidence, in respect of which a right may be infringed without the necessity of there being any contractual relationship. I will explain what I mean. If two parties make a contract, under which one of them obtains for the purpose of the contract or in connection with it some confidential matter, even though the contract is silent on the matter of confidence the law will imply an obligation to treat that confidential matter in a confidential way, as one of the implied terms of the contract; but the obligation to respect confidence is not limited to cases where the parties are in contractual relationship.

As to the contention that such information that the defendants had was in fact gathered by them from material which was available to anybody, if such gathering of the information took place while the defendants were in the employ of the plaintiffs and in the course of such employment then it could very well be that the use of what was thus gathered without the consent of the plaintiffs, would be an infringement of their rights. "On the other hand, it is perfectly possible to have a confidential document, be it a formula, a plan, a sketch, or something of that kind, which is the result of work done by the maker upon materials which may be available for the use of anybody; but what makes it confidential is the fact that the maker of the document has used his brain and thus produced a result which can only be produced by somebody who goes through the same process." (*Saltman Engineering* (*supra*)).

A passage from the judgment of Roxborough J in *Terrapin Ltd. Builders Supply Co. (Hayes) Ltd. & Others* [1960] RPC 128, which was quoted with approval by the Court of Appeal in *Cranleigh Precision Engineering Ltd. v. Bryant* [1965] 1 WLR 1317 @ 1318, starts off, "As I understand it, the essence of this branch of the law, whatever the origin of it may be, is that a person who has obtained information in confidence is not allowed to use it as a springboard for activities detrimental to the person who made the confidential communication, and springboard it remains even when all the features have been published or can be ascertained by actual inspection by members of the public."

It is as it should be that if the defendants or any of them has confidential information they should be restrained from misusing it.

Accordingly it is my judgment that of the orders made on 6 June 1983, that restraining the 4th defendant from dealing with its assets including monies held in its account No. 9073 with the branch of Bank Bumiputra at Complex Antara Bangsa, Jalan Sultan Ismail, Kuala Lumpur, should be set aside and I so order; otherwise the application encl. (13) is dismissed. Since the defendants have partially succeeded in the application I think that the just order in respect of the costs of and incidental to the application should be that each party bears its own costs and I so order.

Also found at [1984] 2 CLJ 296